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DEPARTMENT OF STATE

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**AIRGRAM**

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DEPARTMENT OF STATE LA PAZ

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FROM BRANCH

Ambassador BUENOS AIRES

DATE: Aug 7 1972

SUBJECT: Argentina Delivers to Bolivia Free-Port Zone in Rosario

REF

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1. The Bolivian Ambassador to Argentina, General Alberto GUZMAN SORIANO, and the Argentine Undersecretary of International Economic Relations, Dr. Antonio ESTRANY Y GENDRE, formalized on July 7, 1972, in the Ministry of Foreign Affairs in Buenos Aires the concession to Bolivia of a free-port zone in the Argentine port of Rosario. The basic agreement to cede this free-port zone on the Paraná River had been signed on June 4, 1969, and the requisite Argentine regulations fixing the details were issued in July, 1971. These regulations provide, inter alia, that goods entering the free-port zone may not be transshipped through Bolivia, but must be consumed within Bolivia itself.

2. The July 7, 1972, convention created a six-man Argentine-Bolivian Mixed Commission to administer the zone. Argentine officials designated members of the mixed commission were: from the Foreign Affairs Ministry, Desk Officer for Bolivia, Counselor Alberto ADEN; from the Ministry of Public Works, Commander (RE) Mariano Isaac QUEIREL; and from the Ministry of Treasury and Finance, Dr. Luis Antonio SIRIO. Bolivian members of the mixed commission will be Bolivian Ambassador Guzman Soriano, Bolivian Embassy Commercial Counselor, Jorge PEÑARANDA MINCHÍN, and Customs Inspector Mario ESPEJO PALENQUE. Dr. Sirio and Mr. Espejo Palenque, who are already resident in Rosario, are expected to exercise daily supervision of the free-port zone. A principal purpose of this supervision will be to preclude movement of contraband goods, such as narcotics, through the free-port zone.

3. The concession, formerly the property of the Government of Argentina, consists of an irregularly shaped area of some 55,000 square meters (approximately 14 acres) together with the fully

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operational facilities already on the site. These facilities reportedly include six cranes, various mooring bits, railroad tracks, paved roadways, offices, extensive warehouse facilities, a network of spotlights allowing 24 hour movement of merchandise, running water and a fire hydrant system.

4. Goods from Bolivia will reach the port of Rosario by three rail lines, principally the Belgrano Line with most of the balance using the Mitre Line. None of these three rail lines transit Paraguay.

5. After the formalizing ceremony on July 7, the Bolivian Ambassador, Guzman Soriano, indicated to the press that the first envisioned use of the newly acquired free-port facilities will be to ship long-fiber cotton to Japan around February, 1973. Other Bolivian exports expected to travel through the Bolivian facility in Rosario in 1973, he added, are sugar destined for the United States and wood and minerals destined for Europe. During the transitional period of transfer of the facilities to Bolivia, since the regulations were issued one year ago, a shipment of sugar proceeding from Bolivia to the United States passed through the free port, according to Counselor Aden. Also, since July, 1971 the Argentine Government has provided training in port management to Bolivian personnel.

6. Comment: The free-port zone concession illustrates two basic characteristics of Argentine-Bolivian bilateral relations, in the view of the reporting officer based on conversations with Foreign Ministry officials: a) Bolivian Government instability and scarcity of competent personnel. The Argentine Foreign Ministry member of the mixed commission attributes the three-year delay in implementing the basic agreement of 1969 not only to violent changes in the Bolivian Government, but also to an habitual inability of Bolivian officials to make decisions and their tendency to reopen issues already settled, even asking to change the terms they themselves had proposed. The training by the Argentine Government of Bolivian free-port zone administrators also illustrates the relative scarcity of trained officials in Bolivia; b) exchange of Argentine technology and expertise for Bolivian raw materials. Although specific concessions from Bolivia are not linked directly to the Argentine grant of the Bolivian free port, other Argentine assistance to Bolivia such as feasibility studies and construction of economic infrastructure is usually paid for in kind with iron, gas, and oil. Another known advantage to Argentina of the free-port zone grant will be a reduction of congestion in the railroad yards of Buenos Aires which has occurred from time to time when rail shipments from Bolivia arrived in the port prior to the ship on which the commodities were to be loaded.

7. The free-port zone concession is also germane to Bolivia's relations with other Southern Cone nations. The availability of free-port access to the South Atlantic by landlocked Bolivia is all the more appreciated since Chile closed river access by Bolivia to the South Pacific in 1962. This concession indirectly strengthens Argentina in its competition with Brazil for its share of the anticipated increases in Bolivian iron exports.

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8. The creation of a mixed commission to administer the free-port zone illustrates the Argentine Government modus-operandi of managing bilateral relations through mixed commissions. Argentina has some 210 formal agreements with Bolivia, most of which provide for technical management by a mixed commission. As is readily imaginable, such a proliferation of bodies, multiplied times the number of countries with whom Argentina maintains relations, creates a bureaucratic nightmare. Therefore, some three years ago the Government of Argentina began creating bilateral Mixed Commissions of Coordination, one per nation. All other bilateral mixed commissions deal with technical affairs, such as, in the present case, the day to day administration of the free-port zone in Rosario. On the other hand, policy problems of this and other technical mixed commissions are raised and resolved in periodic meetings of the single bilateral coordinating commission. Rapid resolution of bilateral problems is generally achieved since the coordinating commissions comprise high-level officials — never lower than undersecretaries — who can, if necessary, obtain quick presidential decisions.

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